

House File 146 - Introduced

HOUSE FILE _____
BY RANTS

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing sales, use, and property tax exemptions for
2 certain data centers.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 1290YH 83
5 tw/mg:sc/5

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1 1 Section 1. Section 423.3, subsection 93, Code 2009, is
1 2 amended to read as follows:
1 3 93. a. (1) The sales price from the sale or rental of
1 4 computers and equipment that are necessary for the maintenance
1 5 and operation of a web search portal business or data center
1 6 and property whether directly or indirectly connected to the
1 7 computers, including but not limited to cooling systems,
1 8 cooling towers, and other temperature control infrastructure;
1 9 power infrastructure for transformation, distribution, or
1 10 management of electricity used for the maintenance and
1 11 operation of the web search portal business or data center,
1 12 including but not limited to exterior dedicated business-owned
1 13 substations, back-up power generation systems, battery
1 14 systems, and related infrastructure; and racking systems,
1 15 cabling, and trays, which are necessary for the maintenance
1 16 and operation of the web search portal business or data
1 17 center.

1 18 (2) The sales price of back-up power generation fuel, that
1 19 is purchased by a web search portal business or data center
1 20 for use in the items listed in subparagraph (1).

1 21 (3) The sales price of electricity purchased for use by a
1 22 web search portal business or data center.

1 23 b. For the purpose of claiming this exemption, all of the
1 24 following requirements shall be met:

1 25 (1) The purchaser or renter shall be a web search portal
1 26 business or data center.

1 27 (2) The web search portal business or data center shall
1 28 have a physical location in the state that is used for the
1 29 operations and maintenance of the web search portal business
1 30 or data center.

1 31 (3) (a) The web search portal business shall make a
1 32 minimum investment in an Iowa physical location of two hundred
1 33 million dollars within the first six years of operation in
1 34 Iowa beginning with the date the web search portal business
1 35 initiates site preparation activities. The minimum investment
2 1 includes the initial investment, including land and subsequent
2 2 acquisition of additional adjacent land and subsequent
2 3 investment at the Iowa location.

2 4 (b) The data center shall make a minimum investment in an
2 5 Iowa physical location of one million dollars within the first
2 6 six years of operation in Iowa beginning with the date the
2 7 data center initiates site preparation activities. The
2 8 minimum investment includes the initial investment, including
2 9 land and subsequent acquisition of additional adjacent land
2 10 and subsequent investment at the Iowa location.

2 11 (4) (a) The web search portal business shall purchase,
2 12 option, or lease Iowa land not later than December 31, 2008,
2 13 for any initial investment. However, the December 31, 2008,
2 14 date shall not affect the future purchases of adjacent land
2 15 and additional investment in the initial or adjacent land to
2 16 qualify as part of the minimum investment for purposes of this
2 17 exemption.

2 18 (b) The data center shall purchase, option, or lease Iowa
2 19 land not later than December 31, 2009, for any initial
2 20 investment. However, the December 31, 2009, date shall not

2 21 affect the future purchases of adjacent land and additional
2 22 investment in the initial or adjacent land to qualify as part
2 23 of the minimum investment for purposes of this exemption.

2 24 c. This exemption applies from the date of the initial
2 25 investment in or the initiation of site preparation activities
2 26 for the web search portal facility or data center as described
2 27 in paragraph "b". For purposes of claiming this exemption,
2 28 the requirements may be met by aggregating the various Iowa
2 29 investments and other requirements of the web search portal
2 30 business's affiliates or data center's affiliates. This
2 31 exemption applies to affiliates of the web search portal
2 32 business or data center.

2 33 d. Failure to meet eighty percent of the minimum
2 34 investment amount requirement specified in paragraph "b"
2 35 within the first six years of operation from the date the web
3 1 search portal business or data center initiates site
3 2 preparation activities will result in the web search portal
3 3 business or data center losing the right to claim this ~~web~~
3 4 ~~search portal business~~ exemption and the web search portal
3 5 business or data center shall pay all sales or use tax that
3 6 would have been due on the purchase or rental or use of the
3 7 items listed in this exemption, plus any applicable penalty
3 8 and interest imposed by statute.

3 9 e. For purposes of this subsection:

3 10 (1) "Affiliate" means an entity that directly or
3 11 indirectly controls, is controlled with or by, or is under
3 12 common control with another entity.

3 13 (2) "Control" means any of the following:

3 14 (a) In the case of a United States corporation, the
3 15 ownership, directly or indirectly, of fifty percent or more of
3 16 the voting power to elect directors.

3 17 (b) In the case of a foreign corporation, if the voting
3 18 power to elect the directors is less than fifty percent, the
3 19 maximum amount allowed by applicable law.

3 20 (c) In the case of an entity other than a corporation,
3 21 fifty percent or more ownership interest in the entity, or the
3 22 power to direct the management of the entity.

3 23 (3) "Data center" means a facility, or portion of a
3 24 facility, that is predominately used for the housing and
3 25 operation of computer data processing hardware and associated
3 26 equipment directly in support thereof.

3 27 ~~(3)~~ (4) "Web search portal business" means an entity
3 28 whose business among other businesses is to provide a search
3 29 portal to organize information; to access, search, and
3 30 navigate the internet, including research and development to
3 31 support capabilities to organize information; or to provide
3 32 internet access, navigation, or search functionalities.

3 33 Sec. 2. Section 427.1, subsection 36, Code 2009, is
3 34 amended to read as follows:

3 35 36. WEB SEARCH AND DATA CENTER PROPERTY.

4 1 a. Property, other than land and buildings and other
4 2 improvements, that is utilized by a web search portal business
4 3 or data center as defined in and meeting the requirements of
4 4 section 423.3, subsection 93, including computers and
4 5 equipment that are necessary for the maintenance and operation
4 6 of a web search portal business or data center and other
4 7 property whether directly or indirectly connected to the
4 8 computers, including but not limited to cooling systems,
4 9 cooling towers, and other temperature control infrastructure;
4 10 power infrastructure for transformation, distribution, or
4 11 management of electricity, including but not limited to
4 12 exterior dedicated business-owned substations, and power
4 13 distribution systems which are not subject to assessment under
4 14 chapter 437A; racking systems, cabling, and trays; and back-up
4 15 power generation systems, battery systems, and related
4 16 infrastructure all of which are necessary for the maintenance
4 17 and operation of the web search portal business or data
4 18 center.

4 19 b. This ~~web search portal business~~ exemption applies
4 20 beginning with the assessment year the investment in or
4 21 construction of the facility utilizing the materials,
4 22 equipment, and systems set forth in paragraph "a" are first
4 23 assessed. For purposes of claiming this ~~web search portal~~
4 24 ~~business~~ exemption, the requirements may be met by aggregating
4 25 the various Iowa investments and other requirements of the web
4 26 search portal business's affiliates or data center's
4 27 affiliates as allowed under section 423.3, subsection 93.

4 28 This exemption applies to affiliates of the web search portal
4 29 business or data center.

4 30 Sec. 3. IMPLEMENTATION. Section 25B.7 does not apply to
4 31 the property tax exemption enacted in this Act.

EXPLANATION

4 32
4 33 This bill provides a sales and use tax exemption for the
4 34 sale or rental of computers and equipment that are necessary
4 35 for the maintenance and operation of a data center and
5 1 property that is directly or indirectly connected to the
5 2 computers; the sale of back-up power generation fuel; and
5 3 electricity used in the operation and maintenance of the data
5 4 center.

5 5 To qualify for the sales and use tax exemption, the
5 6 purchaser or renter must be a data center. A data center
5 7 means a facility, or portion of a facility, that is
5 8 predominately used for housing and operation of computer data
5 9 processing hardware and associated equipment directly in
5 10 support thereof; the data center must have a physical location
5 11 in the state that is used for the operations and maintenance
5 12 of the data center; the data center must have a minimum
5 13 investment within the first six years of operation in Iowa of
5 14 \$1 million; and the data center must purchase, option, or
5 15 lease land in the state not later than December 31, 2009.

5 16 The bill also provides a property tax exemption for
5 17 property utilized by a data center as defined in and meeting
5 18 the qualifications of the provisions for the sales and use tax
5 19 exemption. The bill makes inapplicable the provision of the
5 20 Code that requires the state to fund a property tax exemption
5 21 in order for it to be implemented.
5 22 LSB 1290YH 83
5 23 tw/mg:sc/5